

CITY OF LOGAN

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2009

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CITY OF LOGAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Foutch	Mayor	December 2009
Randy Fetter	Mayor Pro-Tem	December 2009
Chris Hartwig	Council Member	December 2011
Stewart Johnson	Council Member	December 2009
Brian Knau	Council Member	Resigned July 2008
Scott Moss	Council Member	December 2011
Alan Whitmore	Council Member	December 2011
Nedra Fliehe	City Administrator	Indefinite
Angela Winther	Assistant Administrator	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 20, 2009

Lonnie G. Muxfeldt
Certified Public
Accountant

Independent Auditor's Report

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Logan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Continued . . .

August 20, 2009

Page Two

To the Honorable Mayor and
Members of the City Council:

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan at June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my reports dated August 20, 2009 on my consideration of the City of Logan's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9, and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Logan's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 Murphy & Associates, CPA, P.C.

CITY OF LOGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

As management of the City of Logan, Iowa we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) a cash basis government-wide financial statement, 2) cash basis fund financial statements, and 3) notes to the financial statements.

Government-wide financial statement: This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental fund account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, and Employee Benefits, 3) Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Analysis of significant changes in financial position and fund balances: The City's cash balance for governmental activities decreased 37% from a year ago, decreasing by \$197,071 during the fiscal year ended June 30, 2009. The decrease was primarily due to construction costs of the Jim Wood Aquatic Center.

The analysis that follows focuses on the changes in the cash basis net assets of governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities			
		Year ended June 30,	
		2009	2008
Receipts:			
Program receipts:			
Charges for services	\$	138,383	\$ 144,468
Operating grants, contributions and restricted interest		144,230	152,964
Capital grants, contributions and restricted interest		325,612	246,346
General receipts:			
Property tax		477,768	479,534
Local option sales tax		88,262	80,411
Unrestricted investment earnings		527	2,327
Note proceeds		1,496,770	-0-
Sale of assets		3,300	11,076
Total receipts		<u>2,674,852</u>	<u>1,117,126</u>
Disbursements:			
Public safety		192,514	204,532
Public works		274,346	291,764
Health and social services		4,350	4,200
Culture and recreation		135,905	194,703
Community and economic development		1,458	2,050
General government		117,979	109,151
Debt service		179,484	130,394
Capital projects		1,964,387	144,385
Total disbursements		<u>2,870,423</u>	<u>1,081,179</u>
Change in cash basis net assets before transfers		(195,571)	35,947
Transfer, net		<u>(1,500)</u>	<u>-0-</u>
Change in cash basis net assets		(197,071)	35,947
Cash basis net assets, beginning of year		<u>532,671</u>	<u>496,724</u>
Cash basis net assets, end of year	\$	<u>335,600</u>	\$ <u>532,671</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The City's cash balance for business type activities decreased \$86,792 or 151% during the fiscal year ended June 30, 2009. The loss is primarily due to silting problems at the City's lagoons after the 2008 flood, to maintenance at the City's wells and at the water treatment plant. City Council approved substantial water and sewer rate increases effective July 1, 2009 to curb the declining financial condition of the two enterprise funds.

The analysis that follows focuses on the changes in the cash basis net assets of business type activities:

Changes in Cash Basis Net Assets of Business Type Activities			
	Year ended June 30,		
	2009	2008	
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 240,142	\$ 246,237	
Sewer	141,944	150,044	
Operating grants, contribution, and restricted interest	5,023	4,677	
General receipts:			
Unrestricted interest	503	708	
Meter deposits	4,600	4,800	
Miscellaneous	19,727	-0-	
Total receipts	<u>411,939</u>	<u>406,466</u>	
Disbursements:			
Water	188,529	153,195	
Sewer	122,482	68,861	
Debt service	185,570	183,677	
Meter deposit refunds	3,650	3,900	
Total disbursements	<u>500,231</u>	<u>409,633</u>	
Change in cash basis net assets before transfers	(88,292)	(3,167)	
Transfers, net	<u>1,500</u>	<u>-0-</u>	
Change in cash basis net assets	(86,792)	(3,167)	
Cash basis net assets, beginning of year	<u>57,624</u>	<u>60,791</u>	
Cash basis net assets, end of year	\$ <u>(29,168)</u>	\$ <u>57,624</u>	

Analysis between actual and budget amounts: The City amended its budget on October 20, 2008 and May 26, 2009. The final amended budget increased revenue by \$65,000 and increased disbursements by \$82,105. The budget was amended primarily to reflect construction costs of the Aquatic Center.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Debt Administration: At June 30, 2009, the City had \$2,833,394 in bonds and other long-term debt compared to \$1,615,319 last year, as shown below:

Outstanding Debt at Year-End			
		2009	2008
General obligation bonds	\$	1,738,394	\$ 387,319
Revenue notes		<u>1,095,000</u>	<u>1,228,000</u>
Total	\$	<u>2,833,394</u>	<u>\$ 1,615,319</u>

The increase is due to \$1.9 million in general obligation Aquatic Center notes, issued in September and February of the fiscal year.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,738,394 is significantly below its constitutional debt limit of \$3 million.

Future financial statement impact: Major projects for fiscal year 2010 include improvements to the City lagoons and the drilling of a new City well. A CDBG grant and a water revenue note will finance the projects.

Requests for information: Requests for additional information can be made to the Logan City Administrator, Nedra Fliehe, at 108 West 4th Street, Logan, Iowa 51546.

BASIC FINANCIAL STATEMENTS

CITY OF LOGAN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED 30, 2009

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 192,514	\$ 10,450	\$ 2,703	\$ -0-
Public works	274,346	38,529	128,188	49,619
Health and social services	4,350	-0-	-0-	-0-
Cultures and recreation	135,905	14,250	13,339	643
Community and economic development	1,458	-0-	-0-	-0-
General government	117,979	75,154	-0-	-0-
Debt service	179,484	-0-	-0-	-0-
Capital projects	1,964,387	-0-	-0-	275,350
Total governmental activities	2,870,423	138,383	144,230	325,612
Business type activities:				
Water	285,904	244,742	5,023	-0-
Sewer	214,327	141,944	-0-	-0-
Total business type activities	500,231	386,686	5,023	-0-
Total	\$ 3,370,654	\$ 525,069	\$ 149,253	\$ 325,612
General receipts:				
Property taxes levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted investment earnings				
Sale of assets				
Note proceeds				
Miscellaneous				
Net transfers				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash basis net assets				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Permanent				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Assets			
	Governmental Activities	Business Type Activities	Total
Functions / Programs:			
Governmental activities:			
Public safety	\$ (179,361)	\$ -0-	\$ (179,361)
Public works	(58,010)	-0-	(58,010)
Health and social services	(4,350)	-0-	(4,350)
Cultures and recreation	(107,673)	-0-	(107,673)
Community and economic development	(1,458)	-0-	(1,458)
General government	(42,825)	-0-	(42,825)
Debt service	(179,484)	-0-	(179,484)
Capital projects	(1,689,037)	-0-	(1,689,037)
Total governmental activities	(2,262,198)	-0-	(2,262,198)
Business type activities:			
Water	-0-	(36,139)	(36,139)
Sewer	-0-	(72,383)	(72,383)
Total business type activities	-0-	(108,522)	(108,522)
Total	(2,262,198)	(108,522)	(2,370,720)
	378,949	-0-	378,949
	98,819	-0-	98,819
	88,262	-0-	88,262
	527	503	1,030
	3,300	-0-	3,300
	1,496,770	-0-	1,496,770
	-0-	19,727	19,727
	(1,500)	1,500	-0-
	2,065,127	21,730	2,086,857
	(197,071)	(86,792)	(283,863)
	532,671	57,624	590,295
\$	335,600	\$ (29,168)	\$ 306,432
	977	-0-	977
\$	(5,722)	100,052	94,330
	26,922	-0-	26,922
	176,800	12,000	188,800
	55,648	-0-	55,648
	80,975	(141,220)	(60,245)
\$	335,600	\$ (29,168)	\$ 306,432

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue		
	General	Local Option Tax	Employee Benefits
Receipts:			
Property tax	\$ 286,941	\$ -0-	\$ 83,366
Other city tax	32	88,262	9
Licenses and permits	5,175	-0-	-0-
Use of money and property	10,453	174	-0-
Intergovernmental	12,016	-0-	-0-
Charges for services	103,713	-0-	-0-
Special assessments	94	-0-	-0-
Miscellaneous	21,740	-0-	-0-
Total receipts	<u>440,164</u>	<u>88,436</u>	<u>83,375</u>
Disbursements:			
Operating:			
Public safety	162,327	2,110	28,077
Public works	48,507	20,000	16,117
Health and social services	-0-	4,350	-0-
Culture and recreation	126,089	3,856	5,960
Community and economic development	1,458	-0-	-0-
General government	102,077	-0-	15,902
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>440,458</u>	<u>30,316</u>	<u>66,056</u>
Excess (deficiency) of receipts over (under) disbursements	(294)	58,120	17,319
Other financing sources (uses):			
Sale of assets	25	-0-	-0-
Note proceeds	-0-	-0-	-0-
Operating transfers in	10,831	-0-	-0-
Operating transfers out	-0-	(23,821)	(12,000)
Total other financing sources (uses)	<u>10,856</u>	<u>(23,821)</u>	<u>(12,000)</u>
Net change in cash balances	10,562	34,299	5,319
Cash balances, beginning of year	<u>70,413</u>	<u>98,505</u>	<u>31,018</u>
Cash balances, end of year	\$ <u>80,975</u>	\$ <u>132,804</u>	\$ <u>36,337</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -0-	\$ -0-	\$ -0-
Unreserved:			
General fund	80,975	-0-	-0-
Special revenue funds	-0-	132,804	36,337
Capital project fund	-0-	-0-	-0-
Permanent fund	-0-	-0-	-0-
Total fund balance	\$ <u>80,975</u>	\$ <u>132,804</u>	\$ <u>36,337</u>

See notes to financial statements.

EXHIBIT B

	Capital Projects		Permanent Library		Other Non-major Governmental Funds		Total
\$	-0-	\$	-0-	\$	107,408	\$	477,715
	-0-		-0-		12		88,315
	-0-		-0-		-0-		5,175
	3,176		2,230		-0-		16,033
	100,000		-0-		177,807		289,823
	-0-		-0-		-0-		103,713
	-0-		-0-		-0-		94
	172,174		-0-		-0-		193,914
	<u>275,350</u>		<u>2,230</u>		<u>285,227</u>		<u>1,174,782</u>
	-0-		-0-		-0-		192,514
	-0-		-0-		189,722		274,346
	-0-		-0-		-0-		4,350
	-0-		-0-		-0-		135,905
	-0-		-0-		-0-		1,458
	-0-		-0-		-0-		117,979
	-0-		-0-		179,484		179,484
	1,964,387		-0-		-0-		1,964,387
	<u>1,964,387</u>		<u>-0-</u>		<u>369,206</u>		<u>2,870,423</u>
	(1,689,037)		2,230		(83,979)		(1,695,641)
	3,275		-0-		-0-		3,300
	1,496,770		-0-		-0-		1,496,770
	-0-		-0-		85,821		96,652
	(50,000)		(2,230)		(10,101)		(98,152)
	<u>1,450,045</u>		<u>(2,230)</u>		<u>75,720</u>		<u>1,498,570</u>
	(238,992)		-0-		(8,259)		(197,071)
	<u>265,914</u>		<u>55,648</u>		<u>11,173</u>		<u>532,671</u>
\$	<u>26,922</u>	\$	<u>55,648</u>	\$	<u>2,914</u>	\$	<u>335,600</u>
\$	-0-	\$	-0-	\$	(5,722)	\$	(5,722)
	-0-		-0-		-0-		80,975
	-0-		-0-		8,636		177,777
	26,922		-0-		-0-		26,922
	-0-		55,648		-0-		55,648
\$	<u>26,922</u>	\$	<u>55,648</u>	\$	<u>2,914</u>	\$	<u>335,600</u>

CITY OF LOGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 503	\$ -0-	\$ 503
Charges for services	240,142	141,944	382,086
Miscellaneous	-0-	19,727	19,727
Total operating receipts	240,645	161,671	402,316
Operating disbursements:			
Business type activities	188,529	122,482	311,011
Total operating disbursements	188,529	122,482	311,011
Excess of operating receipts over operating disbursements	52,116	39,189	91,305
Non-operating receipts (disbursements):			
Interest on investments	5,023	-0-	5,023
Meter deposits	4,600	-0-	4,600
Meter deposit refunds	(3,650)	-0-	(3,650)
Debt service	(93,725)	(91,845)	(185,570)
Total non-operating receipts (disbursements)	(87,752)	(91,845)	(179,597)
Excess of receipts over disbursements	(35,636)	(52,656)	(88,292)
Operating transfers in	1,500	-0-	1,500
Net change in cash balances	(34,136)	(52,656)	(86,792)
Cash balances, beginning of year	193,345	(135,721)	57,624
Cash balances, end of year	\$ 159,209	\$ (188,377)	\$ (29,168)
Cash Basis Fund Balances			
Reserved:			
Meter deposits	\$ 12,000	\$ -0-	\$ 12,000
Sinking funds	100,052	-0-	100,052
Unreserved	47,157	(188,377)	(141,220)
Total fund balance	\$ 159,209	\$ (188,377)	\$ (29,168)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounting Policies

The City of Logan is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Logan has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials or appointees are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission and Harrison County Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounts Policies (Continued)

B. Basis of Presentation (Continued)

Special Revenue:

The Local Option Sales Tax Fund is used to account for a variety of projects financed by the local option sales tax.

The Employee Benefits Fund is used to account for the City's portion of payroll taxes and retirement contributions in the public safety, public works, culture and recreation and general government functions.

The Capital Projects Fund is used to account for the City's construction of the Aquatic Center.

The Permanent Fund is used to account for nonexpendable bequests to the City Library.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(1) Summary of Significant Accounts Policies (Continued)

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements exceeded the amounts budgeted in the debt service function for the year ended June 30, 2009.

(2) Cash and Pooled Investments

The City's deposits at June 30, 2009, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, totaled \$335,600 as of June 30, 2009.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(3) Long Term Debt

Annual debt service requirements to maturity for general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 159,601	\$ 70,519	\$ 135,000	\$ 46,325	\$ 294,601	\$ 116,844
2011	157,065	64,415	142,000	40,800	299,065	105,215
2012	154,393	58,380	150,000	34,949	304,393	93,329
2013	61,901	52,309	62,000	28,724	123,901	81,033
2014	64,514	49,696	65,000	26,058	129,514	75,754
2015	67,237	46,973	68,000	23,263	135,237	70,236
2016	70,076	44,134	71,000	20,339	141,076	64,473
2017	73,034	41,176	74,000	17,286	147,034	58,462
2018	76,118	38,092	77,000	14,104	153,118	52,196
2019	79,331	34,879	80,000	10,793	159,331	45,672
2020	82,680	31,530	84,000	7,353	166,680	38,883
2021	86,170	28,040	87,000	3,741	173,170	31,781
2022	89,808	24,402	-0-	-0-	89,808	24,402
2023	93,600	20,610	-0-	-0-	93,600	20,610
2024	97,551	16,659	-0-	-0-	97,551	16,659
2025	101,669	12,541	-0-	-0-	101,669	12,541
2026	105,961	8,249	-0-	-0-	105,961	8,249
2027	110,435	3,775	-0-	-0-	110,435	3,775
2028	7,250	150	-0-	-0-	7,250	150
Total	\$ 1,738,394	\$ 646,529	\$ 1,095,000	\$ 273,735	\$ 2,833,394	\$ 920,264

General Obligation Debt Resolutions

The resolutions providing for the issuance of the general obligation debt include the following:

- (a) The levy of taxes sufficient to provide payment of principal and interest when due.
- (b) Proceeds of the tax levy are to be collected in the debt service fund of the City.

The City is in compliance with the above provision.

**CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

(3) Long Term Debt (Continued)

Revenue Debt Resolutions

On October 15, 2006, the City issued Water Revenue Refunding Bonds, Series 2006 that refinanced the City's Water Revenue Notes, Series 1995, dated May 1, 1995, and Water Revenue Refunding Notes, Series 1997, dated April 1, 1997.

The resolutions providing for the issuance of the water revenue refunding bonds include the following:

- (a) The debt will only be redeemed from the future net revenues of the municipal waterworks system of the City.
- (b) The City shall impose, adjust and provide for the collection of rates to be charged to customers to produce revenues sufficient to pay for operation of the utility and leave a balance sufficient to pay the principal and interest on the revenue debts as they become due.
- (c) A "Water Revenue Sinking Fund" shall be created to set aside from the future net revenues of the utility such portion sufficient to pay principal and interest on the bonds as they become due. The minimum amount to be set aside each month shall be equal to 1/12 of the principal due May 1 of the next year and 1/6 of the interest due the next succeeding interest payment.

Lease - Purchase Contracts

The City entered into a lease-purchase contract for a street sweeper. The contract required five annual payments of \$23,821. As of June 30, 2009, all payments have been made.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.1% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$23,400, \$21,611, and \$20,193, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment at termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid one-half the accumulated sick leave. The City's approximate liability for earned vacation and compensatory time payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount June 30, 2009
Vacation/Personal Day	\$ 14,739
Compensatory time	-0-
Total	\$ <u>14,739</u>

This liability has been computed based on rates of pay in effect as of June 30, 2009.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(6) Lease Agreements

In April, 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of establishing water wells on the said property for the annual sum of \$2,000 and continuing each year thereafter as long as the well site is being used by the City.

Rental expense for the year ended June 30, 2009 was \$2,000.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009, is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue - Emergency	\$ 8,601
General	Permanent Fund	2,230
Debt Service	Capital Projects	50,000
Debt Service	Special Revenue - Local Option	23,821
Special Revenue - Self Insurance	Special Revenue - Employee Benefits	12,000
Enterprise - Water	Special Revenue - Self Insurance	1,500
Total		<u>\$ 98,152</u>

(8) Related Party Transactions

Business transactions between the City and City officials totaled \$8,852 during the year ended June 30, 2009.

(9) Risk Management

The City of Logan is exposed to various risks of loss to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(10) Deficit Fund Balances

At June 30, 2009, the following funds had deficit balances as follows:

Fund	Deficit
Special Revenue - FEMA	\$ 5,000
Debt Service	5,722
Enterprise - Sewer	188,377
Total	\$ <u>199,099</u>

(11) Jim Wood Aquatic Center

On April 8, 2008, the citizens of Logan overwhelmingly approved a referendum to finance and construct the Jim Wood Aquatic Center. Grantors include the Jim Wood Foundation, the Schildberg Foundation, the Harrison County Endowment Fund, the Iowa West Foundation, Vision Iowa, Perfection Learning Corporation and others. The Community Bank of Logan financed the project with two general obligation notes: a \$1.5 million note at 4.178% and a \$400,000 note at 3.815%. The notes mature on June 1, 2028 and June 1, 2024, respectively. The Aquatic Center has an estimated cost of \$2.5 million. A summary of project receipts and disbursements is as follows:

	Year Ended June 30, 2008	Year Ended June 30, 2009	Total
Receipts:			
Contributions and grants	\$ 393,434	\$ 272,174	\$ 665,608
Interest	7,040	3,176	10,216
Proceeds of notes	-0-	1,496,770	1,496,770
Sale of property	9,825	3,275	13,100
Total receipts	<u>410,299</u>	<u>1,775,395</u>	<u>2,185,694</u>
Disbursements:			
Construction	143,177	1,935,819	2,078,996
Operating transfer – debt service	-0-	50,000	50,000
Furniture and equipment	-0-	14,539	14,539
Legal	-0-	13,964	13,964
Miscellaneous	1,208	65	1,273
Total disbursements	<u>\$ 144,385</u>	<u>\$ 2,014,387</u>	<u>\$ 2,158,772</u>
Cash balance at June 30, 2009			\$ <u>26,922</u>

CITY OF LOGAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(12) Grants

Iowa Governor's Traffic Safety Bureau

On August 8, 2008, the Logan Police Department was awarded a \$4,500 Special Traffic Enforcement Program (STEP) grant from the Iowa Governor's Traffic Safety Bureau. For the year ended June 30, 2009, the City received \$1,986. The grant expires September 30, 2009.

Community Development Block Grant

On June 9, 2009, the City was awarded a \$245,000 grant from the Iowa Department of Economic Development for storm water improvements at the City's lagoons. As of June 30, 2009, the City had received no grant funds. Groundwater problems at the lagoons were the result of the 2008 flood.

FEMA Grant

On October 3, 2008, the City was awarded a FEMA grant for emergency repairs to the City's lagoons that were damaged in the 2008 flood. For the year ended June 30, 2009, the City received \$47,554.

(13) Statistical Information

	For the year ended June 30, 2009	
Gallons of water billed	42,130,760	59%
Gallons of water used by the City	8,104,870	11%
Gallons of water unaccounted for	21,479,370	30%
Gallons of water pumped	<u>71,715,000</u>	<u>100%</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LOGAN

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 477,715	\$ -0-
Other city tax	88,315	-0-
Licenses and permits	5,175	-0-
Use of money and permits	16,033	5,526
Intergovernmental	289,823	-0-
Charges for services	103,713	386,251
Special assessments	94	435
Miscellaneous	193,914	19,727
Total receipts	<u>1,174,782</u>	<u>411,939</u>
Disbursements:		
Public safety	192,514	-0-
Public works	274,346	-0-
Health and social services	4,350	-0-
Culture and recreation	135,905	-0-
Community and economic development	1,458	-0-
General government	117,979	-0-
Debt service	179,484	-0-
Capital projects	1,964,387	-0-
Business type	-0-	500,231
Total disbursements	<u>2,870,423</u>	<u>500,231</u>
Excess (deficiency) of receipts over (under) disbursements	(1,695,641)	(88,292)
Other financing sources, net	<u>1,498,570</u>	<u>1,500</u>
Excess (deficiency) of receipts and other financing sources	(197,071)	(86,792)
Balance beginning of year	<u>532,671</u>	<u>57,624</u>
Balance end of year	\$ <u>335,600</u>	\$ <u>(29,168)</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
\$ 477,715	\$ 465,451	\$ 465,451	\$ 12,264
88,315	159,442	159,422	(71,107)
5,175	10,475	10,475	(5,300)
21,559	25,100	25,100	(3,541)
289,823	446,344	608,844	(319,021)
489,964	520,765	520,765	(30,801)
529	1,500	1,500	(971)
213,641	20,155	85,155	128,486
<u>1,586,721</u>	<u>1,649,232</u>	<u>1,876,712</u>	<u>(289,991)</u>
192,514	214,268	204,268	11,754
274,346	246,584	306,584	32,238
4,350	4,500	4,500	150
135,905	180,321	205,321	69,416
1,458	8,000	8,000	6,542
117,979	130,255	130,255	12,276
179,484	122,546	122,546	(56,938)
1,964,387	300,000	2,300,000	335,613
500,231	440,106	510,106	9,875
<u>3,370,654</u>	<u>1,646,580</u>	<u>3,791,580</u>	<u>420,926</u>
(1,783,933)	2,652	(1,914,868)	130,935
<u>1,500,070</u>	<u>-0-</u>	<u>1,892,895</u>	<u>(392,825)</u>
(283,863)	2,652	(21,973)	(261,890)
<u>590,295</u>	<u>590,295</u>	<u>590,295</u>	<u>-0-</u>
\$ <u>306,432</u>	\$ <u>592,947</u>	\$ <u>568,322</u>	\$ <u>(261,890)</u>

CITY OF LOGAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended in October 2008 and May 2009, increasing budgeted disbursements by \$2,145,000. The budget amendments are reflected in the final budgeted amounts.

For the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LOGAN

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Special Revenue		
	Emergency	Road Use	Community Disaster
Receipts:			
Property tax	\$ 8,600	\$ -0-	\$ -0-
Other city tax	1	-0-	-0-
Intergovernmental	-0-	128,188	2,065
Total receipts	8,601	128,188	2,065
Disbursements:			
Operations:			
Public works	-0-	130,443	-0-
Debt service	-0-	-0-	-0-
Total disbursements	-0-	130,443	-0-
Excess (deficiency) of receipts over (under) disbursements	8,601	(2,255)	2,065
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers out	(8,601)	-0-	-0-
Net financing sources (uses)	(8,601)	-0-	-0-
Net change in cash balances	-0-	(2,255)	2,065
Cash balances, beginning of year	94	3,232	-0-
Cash balances, end of year	\$ 94	\$ 977	\$ 2,065
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 94	\$ 977	\$ 2,065
Debt service fund	-0-	-0-	-0-
Total fund balance	\$ 94	\$ 977	\$ 2,065

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Flood FEMA		Self Insurance		Debt Service	
				Total	
\$	-0-	\$	-0-	\$	98,808
	-0-		-0-		11
	47,554		-0-		177,807
	<u>47,554</u>		<u>-0-</u>		<u>285,227</u>
	59,279		-0-		-0-
	-0-		-0-		179,484
	<u>59,279</u>		<u>-0-</u>		<u>179,484</u>
	(11,725)		-0-		(80,665)
	-0-		12,000		73,821
	-0-		(1,500)		-0-
	<u>-0-</u>		<u>10,500</u>		<u>73,821</u>
	(11,725)		10,500		(6,844)
	6,725		-0-		1,122
	<u>6,725</u>		<u>-0-</u>		<u>1,122</u>
\$	<u>(5,000)</u>	\$	<u>10,500</u>	\$	<u>(5,722)</u>
				\$	<u>2,914</u>
\$	(5,000)	\$	10,500	\$	-0-
	-0-		-0-		(5,722)
\$	<u>(5,000)</u>	\$	<u>10,500</u>	\$	<u>(5,722)</u>
				\$	<u>2,914</u>

CITY OF LOGAN
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2009

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
<u>Obligation</u>			
General obligation debt:			
GO Refunding Bonds	September 15, 2005	3.25-3.75%	\$ 540,000
Lease - Purchase Street Sweeper	May 23, 2005	6.73%	\$ 105,000
GO Aquatic Center Note	September 15, 2008	4.178%	\$ 1,500,000
General Fund Aquatic Center Note	February 19, 2009	3.815%	\$ 400,000
Revenue debt:			
Sewer Notes	July 10, 2001	4.30%	\$ 1,210,000
Water Revenue Refunding Bonds	October 15, 2006	3.85-4.05%	\$ 480,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 365,000	\$ -0-	\$ 85,000	\$ 280,000	\$ 13,158	\$ 868
22,319	-0-	22,319	-0-	1,502	-0-
-0-	1,476,770	38,376	1,438,394	18,729	5,008
-0-	20,000	-0-	20,000	-0-	593
<u>\$ 387,319</u>	<u>\$ 1,496,770</u>	<u>\$ 145,695</u>	<u>\$ 1,738,394</u>	<u>\$ 33,389</u>	<u>\$ 6,469</u>
\$ 893,000	\$ -0-	\$ 53,000	\$ 840,000	\$ 38,399	\$ 3,010
335,000	-0-	80,000	255,000	13,325	850
<u>\$ 1,228,000</u>	<u>\$ -0-</u>	<u>\$ 133,000</u>	<u>\$ 1,095,000</u>	<u>\$ 51,724</u>	<u>\$ 3,860</u>

CITY OF LOGAN
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2009

General Obligation Debt

Year Ended June 30,	<u>General Obligation Refunding Bonds</u> <u>Issued September 15, 2005</u>		<u>General Obligation Aquatic Center Note</u> <u>Issued September 15, 2008</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2010	3.55%	\$ 90,000	4.178%	\$ 54,679
2011	3.65%	95,000	4.178%	56,987
2012	3.75%	95,000	4.178%	59,393
2013	--	-0-	4.178%	61,901
2014	--	-0-	4.178%	64,514
2015	--	-0-	4.178%	67,237
2016	--	-0-	4.178%	70,076
2017	--	-0-	4.178%	73,034
2018	--	-0-	4.178%	76,118
2019	--	-0-	4.178%	79,331
2020	--	-0-	4.178%	82,680
2021	--	-0-	4.178%	86,170
2022	--	-0-	4.178%	89,808
2023	--	-0-	4.178%	93,600
2024	--	-0-	4.178%	97,551
2025	--	-0-	4.178%	101,669
2026	--	-0-	4.178%	105,961
2027	--	-0-	4.178%	110,435
2028	--	-0-	4.178%	7,250
Total		\$ <u>280,000</u>		\$ <u>1,438,394</u>

See Accompanying Independent Auditor's Report.

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2009

General Obligation Debt

<u>General Fund Aquatic Center Note</u> <u>Issued February 19, 2009</u>			
<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2010	3.815%	\$ 14,922	\$ 159,601
2011	3.815%	5,078	157,065
2012	--	-0-	154,393
2013	--	-0-	61,901
2014	--	-0-	64,514
2015	--	-0-	67,237
2016	--	-0-	70,076
2017	--	-0-	73,034
2018	--	-0-	76,118
2019	--	-0-	79,331
2020	--	-0-	82,680
2021	--	-0-	86,170
2022	--	-0-	89,808
2023	--	-0-	93,600
2024	--	-0-	97,551
2025	--	-0-	101,669
2026	--	-0-	105,961
2027	--	-0-	110,435
2028	--	-0-	7,250
Total		\$ <u>20,000</u>	\$ <u>1,738,394</u>

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2009

Revenue Debt

Water Revenue Refunding Bonds, Series 2006
Issued October 15, 2006

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>
2010	3.95%	\$ 80,000
2011	4.00%	85,000
2012	4.05%	90,000
2013	--	-0-
2014	--	-0-
2015	--	-0-
2016	--	-0-
2017	--	-0-
2018	--	-0-
2019	--	-0-
2020	--	-0-
2021	--	-0-
Total		\$ <u>255,000</u>

See Accompanying Independent Auditor's Report.

CITY OF LOGAN
DEBT MATURITIES
YEAR ENDED JUNE 30, 2009

Revenue Debt

Sewer Revenue Note
Issued July 10, 2001

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2010	4.30%	\$ 55,000	\$ 135,000
2011	4.30%	57,000	142,000
2012	4.30%	60,000	150,000
2013	4.30%	62,000	62,000
2014	4.30%	65,000	65,000
2015	4.30%	68,000	68,000
2016	4.30%	71,000	71,000
2017	4.30%	74,000	74,000
2018	4.30%	77,000	77,000
2019	4.30%	80,000	80,000
2020	4.30%	84,000	84,000
2021	4.30%	<u>87,000</u>	<u>87,000</u>
Total		\$ <u>840,000</u>	\$ <u>1,095,000</u>

CITY OF LOGAN

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST FOUR YEARS

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Receipts:				
Property and other city taxes	\$ 566,030	\$ 559,945	\$ 542,605	\$ 556,726
Tax increment financing	-0-	-0-	-0-	-0-
License and permits	5,175	6,556	3,622	4,457
Use of money and property	16,033	23,677	16,589	17,425
Intergovernmental	289,823	149,540	144,177	140,722
Charges for service	103,713	108,441	103,137	35,042
Special assessments	94	728	677	179
Miscellaneous	193,914	257,163	186,316	97,326
Note proceeds	1,496,770	-0-	-0-	-0-
Sale of assets	3,300	11,076	-0-	3,000
Total	<u>\$ 2,674,852</u>	<u>\$ 1,117,126</u>	<u>\$ 997,123</u>	<u>\$ 854,877</u>
Disbursements:				
Operating:				
Public safety	\$ 192,514	\$ 204,532	\$ 181,936	\$ 207,762
Public works	274,346	291,764	208,141	259,961
Health and social services	4,350	4,200	4,200	4,000
Culture and recreation	135,905	194,703	141,513	122,520
Community and economic development	1,458	2,050	2,736	11,356
General government	117,979	109,151	104,123	103,801
Debt service	179,484	130,394	128,156	108,429
Capital projects	1,964,387	144,385	-0-	-0-
Total	<u>\$ 2,870,423</u>	<u>\$ 1,081,179</u>	<u>\$ 770,805</u>	<u>\$ 817,829</u>

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 20, 2009

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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GOVERNMENT AUDITING STANDARD

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Licensed In:

Iowa
Missouri

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued my report thereon dated August 20, 2009. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Logan's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Logan's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Logan's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

August 20, 2009
To the Honorable Mayor and
Members of the City Council:
Page Two

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Logan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Logan's financial statements that is more than inconsequential will not be prevented or detected by the City of Logan's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Logan's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Continued . . .

August 20, 2009
To the Honorable Mayor and
Members of the City Council:
Page Three

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Logan's responses to findings identified in my audit are described in the accompanying Schedule findings and Questioned Costs. While I have expressed my conclusions on the City's responses, I did not audit the City of Logan's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Logan and other parties to whom the City of Logan may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Logan during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 M. J. Lupton Associates, CPA, P.C.

CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is an other comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- c. The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCE OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III: Other Findings Related to Statutory Reporting

III-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the debt service function. Although the budget was amended, the amount that should have been amended in the debt service function was instead incorrectly amended in other financing uses. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended correctly in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended correctly in the future, if applicable

Conclusion - Response accepted.

III-B-09 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Transaction	Transaction Description	Amount
Gary Nordby, Park Board Owner of G&R Nifty Lawns	Lawn care and Lawn preparation, per bid	\$ 8,852

The transactions with the Park Board Member do not appear to represent a conflict of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

III-E-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF LOGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

Part III Other Findings Relating to Statutory Reporting (Continued)

III-F-09 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

III-G-09 Revenue Notes - The City is in compliance with all covenants of their Revenue Note resolutions.

III-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's deposit and investment policy were noted.

III-I-09 Electronically Retained Checks - It was noted that the bank statements of the City and Library do not present the backside of the checks as required by Chapter 554D.114(5) of the Code of Iowa.

Recommendation - The City should request that First National Bank present the endorsement side of the check on its bank statements to the City and the Library as required by Iowa statutes.

Response - The City will request from the bank that both front and back of electronically retained checks be presented on the bank statements.

Conclusion - Response accepted.

III-J-09 Financial Condition - The Sewer Enterprise Fund had a deficit balance of \$188,377 at June 30, 2009.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - On June 8, 2009, the City Council approved Ordinances 432 and 433 which increased water and sewer rates by 100%. In addition, the City will adjust the water and sewer rates annually, if necessary, to match increases to the consumer price index.

Conclusion - Response accepted.

